

House Study Bill 150 - Introduced

SENATE/HOUSE FILE _____

BY (PROPOSED GOVERNOR'S BILL)

A BILL FOR

1 An Act relating to property taxation by establishing and
2 modifying property assessment limitations, providing for
3 commercial and industrial property tax replacement payments,
4 making appropriations, and including effective date and
5 retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 257.3, subsection 1, Code 2013, is
2 amended by adding the following new paragraph:

3 NEW PARAGRAPH. d. The amount paid to each school district
4 for the commercial and industrial property tax replacement
5 claim under section 441.21A shall be regarded as property tax.
6 The portion of the payment which is foundation property tax
7 shall be determined by applying the foundation property tax
8 rate to the amount computed under section 441.21A, subsection
9 4, paragraph "a", and such amount shall be prorated pursuant to
10 section 441.21A, subsection 2, if applicable.

11 Sec. 2. Section 331.512, Code 2013, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 13A. Carry out duties relating to the
14 calculation and payment of commercial and industrial property
15 tax replacement claims under section 441.21A.

16 Sec. 3. Section 331.559, Code 2013, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 25A. Carry out duties relating to the
19 calculation and payment of commercial and industrial property
20 tax replacement claims under section 441.21A.

21 Sec. 4. Section 441.21, subsection 4, Code 2013, is amended
22 to read as follows:

23 4. For valuations established as of January 1, 1979,
24 the percentage of actual value at which agricultural and
25 residential property shall be assessed shall be the quotient
26 of the dividend and divisor as defined in this section. The
27 dividend for each class of property shall be the dividend
28 as determined for each class of property for valuations
29 established as of January 1, 1978, adjusted by the product
30 obtained by multiplying the percentage determined for that
31 year by the amount of any additions or deletions to actual
32 value, excluding those resulting from the revaluation of
33 existing properties, as reported by the assessors on the
34 abstracts of assessment for 1978, plus six percent of the
35 amount so determined. However, if the difference between the

1 dividend so determined for either class of property and the
2 dividend for that class of property for valuations established
3 as of January 1, 1978, adjusted by the product obtained by
4 multiplying the percentage determined for that year by the
5 amount of any additions or deletions to actual value, excluding
6 those resulting from the revaluation of existing properties,
7 as reported by the assessors on the abstracts of assessment
8 for 1978, is less than six percent, the 1979 dividend for the
9 other class of property shall be the dividend as determined for
10 that class of property for valuations established as of January
11 1, 1978, adjusted by the product obtained by multiplying
12 the percentage determined for that year by the amount of
13 any additions or deletions to actual value, excluding those
14 resulting from the revaluation of existing properties, as
15 reported by the assessors on the abstracts of assessment for
16 1978, plus a percentage of the amount so determined which is
17 equal to the percentage by which the dividend as determined
18 for the other class of property for valuations established
19 as of January 1, 1978, adjusted by the product obtained by
20 multiplying the percentage determined for that year by the
21 amount of any additions or deletions to actual value, excluding
22 those resulting from the revaluation of existing properties,
23 as reported by the assessors on the abstracts of assessment
24 for 1978, is increased in arriving at the 1979 dividend for
25 the other class of property. The divisor for each class of
26 property shall be the total actual value of all such property
27 in the state in the preceding year, as reported by the
28 assessors on the abstracts of assessment submitted for 1978,
29 plus the amount of value added to said total actual value by
30 the revaluation of existing properties in 1979 as equalized
31 by the director of revenue pursuant to section 441.49. The
32 director shall utilize information reported on abstracts of
33 assessment submitted pursuant to section 441.45 in determining
34 such percentage. For valuations established as of January 1,
35 1980, and each assessment year thereafter beginning before

1 January 1, 2013, the percentage of actual value as equalized
2 by the director of revenue as provided in section 441.49 at
3 which agricultural and residential property shall be assessed
4 shall be calculated in accordance with the methods provided
5 herein including the limitation of increases in agricultural
6 and residential assessed values to the percentage increase of
7 the other class of property if the other class increases less
8 than the allowable limit adjusted to include the applicable
9 and current values as equalized by the director of revenue,
10 except that any references to six percent in this subsection
11 shall be four percent. For valuations established as of
12 January 1, 2013, and each assessment year thereafter, the
13 percentage of actual value as equalized by the director of
14 revenue as provided in section 441.49 at which agricultural
15 and residential property shall be assessed shall be calculated
16 in accordance with the methods provided in this subsection,
17 except that any references to six percent in this subsection
18 shall be two percent, and including, for assessment years
19 beginning on or after January 1, 2013, but before January
20 1, 2017, the limitation of increases in agricultural and
21 residential assessed values to the percentage increase of the
22 other class of property if the other class increases less than
23 the allowable limit adjusted to include the applicable and
24 current values as equalized by the director of revenue, and for
25 assessment years beginning on or after January 1, 2017, the
26 limitation in subsection 5A.

27 Sec. 5. Section 441.21, subsection 5, Code 2013, is amended
28 to read as follows:

29 5. a. For valuations established as of January 1, 1979,
30 commercial property and industrial property, excluding
31 properties referred to in section 427A.1, subsection 8, shall
32 be assessed as a percentage of the actual value of each class
33 of property. The percentage shall be determined for each
34 class of property by the director of revenue for the state in
35 accordance with the provisions of this section. For valuations

1 established as of January 1, 1979, the percentage shall be
2 the quotient of the dividend and divisor as defined in this
3 section. The dividend for each class of property shall be the
4 total actual valuation for each class of property established
5 for 1978, plus six percent of the amount so determined. The
6 divisor for each class of property shall be the valuation
7 for each class of property established for 1978, as reported
8 by the assessors on the abstracts of assessment for 1978,
9 plus the amount of value added to the total actual value by
10 the revaluation of existing properties in 1979 as equalized
11 by the director of revenue pursuant to section 441.49. For
12 valuations established as of January 1, 1979, property valued
13 by the department of revenue pursuant to chapters 428, 433,
14 437, and 438 shall be considered as one class of property and
15 shall be assessed as a percentage of its actual value. The
16 percentage shall be determined by the director of revenue in
17 accordance with the provisions of this section. For valuations
18 established as of January 1, 1979, the percentage shall be
19 the quotient of the dividend and divisor as defined in this
20 section. The dividend shall be the total actual valuation
21 established for 1978 by the department of revenue, plus ten
22 percent of the amount so determined. The divisor for property
23 valued by the department of revenue pursuant to chapters 428,
24 433, 437, and 438 shall be the valuation established for 1978,
25 plus the amount of value added to the total actual value by
26 the revaluation of the property by the department of revenue
27 as of January 1, 1979. For valuations established as of
28 January 1, 1980, commercial property and industrial property,
29 excluding properties referred to in section 427A.1, subsection
30 8, shall be assessed at a percentage of the actual value of
31 each class of property. The percentage shall be determined
32 for each class of property by the director of revenue for the
33 state in accordance with the provisions of this section. For
34 valuations established as of January 1, 1980, the percentage
35 shall be the quotient of the dividend and divisor as defined in

1 this section. The dividend for each class of property shall
2 be the dividend as determined for each class of property for
3 valuations established as of January 1, 1979, adjusted by the
4 product obtained by multiplying the percentage determined
5 for that year by the amount of any additions or deletions to
6 actual value, excluding those resulting from the revaluation
7 of existing properties, as reported by the assessors on the
8 abstracts of assessment for 1979, plus four percent of the
9 amount so determined. The divisor for each class of property
10 shall be the total actual value of all such property in 1979,
11 as equalized by the director of revenue pursuant to section
12 441.49, plus the amount of value added to the total actual
13 value by the revaluation of existing properties in 1980. The
14 director shall utilize information reported on the abstracts of
15 assessment submitted pursuant to section 441.45 in determining
16 such percentage. For valuations established as of January 1,
17 1980, property valued by the department of revenue pursuant
18 to chapters 428, 433, 437, and 438 shall be assessed at a
19 percentage of its actual value. The percentage shall be
20 determined by the director of revenue in accordance with the
21 provisions of this section. For valuations established as
22 of January 1, 1980, the percentage shall be the quotient of
23 the dividend and divisor as defined in this section. The
24 dividend shall be the total actual valuation established for
25 1979 by the department of revenue, plus eight percent of the
26 amount so determined. The divisor for property valued by the
27 department of revenue pursuant to chapters 428, 433, 437,
28 and 438 shall be the valuation established for 1979, plus
29 the amount of value added to the total actual value by the
30 revaluation of the property by the department of revenue as
31 of January 1, 1980. For valuations established as of January
32 1, 1981, and each assessment year thereafter beginning before
33 January 1, 2013, the percentage of actual value as equalized
34 by the director of revenue as provided in section 441.49 at
35 which commercial property and industrial property, excluding

1 properties referred to in section 427A.1, subsection 8, shall
2 be assessed shall be calculated in accordance with the methods
3 provided herein, except that any references to six percent
4 in this subsection shall be four percent. For valuations
5 established as of January 1, 1981, and each year thereafter,
6 the percentage of actual value at which property valued by
7 the department of revenue pursuant to chapters 428, 433, 437,
8 and 438 shall be assessed shall be calculated in accordance
9 with the methods provided herein, except that any references
10 to ten percent in this subsection shall be eight percent.
11 Beginning with valuations established as of January 1, 1979,
12 and each assessment year thereafter beginning before January
13 1, 2013, property valued by the department of revenue pursuant
14 to chapter 434 shall also be assessed at a percentage of its
15 actual value which percentage shall be equal to the percentage
16 determined by the director of revenue for commercial property,
17 industrial property, or property valued by the department of
18 revenue pursuant to chapters 428, 433, 437, and 438, whichever
19 is lowest. For valuations established as of January 1, 2017,
20 and each assessment year thereafter, the percentage of actual
21 value as equalized by the director of revenue as provided in
22 section 441.49 at which commercial and industrial property
23 shall be assessed shall be calculated in accordance with the
24 methods provided in this subsection, including the limitation
25 in subsection 5A, except that any references to six percent
26 in this subsection shall be two percent. For valuations
27 established on or after January 1, 2013, property valued by the
28 department of revenue pursuant to chapter 434 shall be assessed
29 at a percentage of its actual value equal to the percentage of
30 actual value at which property assessed as commercial property
31 is assessed for the same assessment year following application
32 of the limitation in subsection 5A, if applicable.
33 b. For valuations established on or after January 1, 2013,
34 but before January 1, 2017, commercial property, excluding
35 properties referred to in section 427A.1, subsection 8, shall

1 be assessed at a percentage of its actual value, as determined
2 in this paragraph "b". For valuations established for the
3 assessment year beginning January 1, 2013, the percentage
4 of actual value as equalized by the director of revenue as
5 provided in section 441.49 at which commercial property shall
6 be assessed shall be ninety-five percent. For valuations
7 established for the assessment year beginning January 1, 2014,
8 the percentage of actual value as equalized by the director
9 of revenue as provided in section 441.49 at which commercial
10 property shall be assessed shall be ninety percent. For
11 valuations established for the assessment year beginning
12 January 1, 2015, the percentage of actual value as equalized by
13 the director of revenue as provided in section 441.49 at which
14 commercial property shall be assessed shall be eighty-five
15 percent. For valuations established for the assessment year
16 beginning January 1, 2016, the percentage of actual value as
17 equalized by the director of revenue as provided in section
18 441.49 at which commercial property shall be assessed shall be
19 eighty percent.

20 c. For valuations established on or after January 1, 2013,
21 but before January 1, 2017, industrial property, excluding
22 properties referred to in section 427A.1, subsection 8, shall
23 be assessed at a percentage of its actual value, as determined
24 in this paragraph "c". For valuations established for the
25 assessment year beginning January 1, 2013, the percentage
26 of actual value as equalized by the director of revenue as
27 provided in section 441.49 at which industrial property shall
28 be assessed shall be ninety-five percent. For valuations
29 established for the assessment year beginning January 1, 2014,
30 the percentage of actual value as equalized by the director
31 of revenue as provided in section 441.49 at which industrial
32 property shall be assessed shall be ninety percent. For
33 valuations established for the assessment year beginning
34 January 1, 2015, the percentage of actual value as equalized by
35 the director of revenue as provided in section 441.49 at which

1 industrial property shall be assessed shall be eighty-five
2 percent. For valuations established for the assessment year
3 beginning January 1, 2016, the percentage of actual value as
4 equalized by the director of revenue as provided in section
5 441.49 at which industrial property shall be assessed shall be
6 eighty percent.

7 Sec. 6. Section 441.21, Code 2013, is amended by adding the
8 following new subsection:

9 NEW SUBSECTION. 5A. In addition to the limitation of
10 increases for agricultural and residential property applicable
11 under subsection 4 and the limitation of increases for
12 commercial and industrial property applicable under subsection
13 5, for valuations established for the assessment year beginning
14 January 1, 2017, and each assessment year thereafter, for
15 residential, agricultural, commercial, and industrial property,
16 the assessed value of each of these four classes of property
17 shall be limited to the percentage increase of that class of
18 property that is the lowest percentage increase under the
19 allowable limit adjusted to include the applicable and current
20 values as equalized by the director of revenue.

21 Sec. 7. NEW SECTION. 441.21A Commercial and industrial
22 property tax replacement — replacement claims.

23 1. a. For each fiscal year beginning on or after July
24 1, 2014, there is appropriated from the general fund of the
25 state to the department of revenue an amount necessary for
26 the payment of all commercial and industrial property tax
27 replacement claims under this section for the fiscal year.
28 However, for a fiscal year beginning on or after July 1, 2018,
29 the total amount of moneys appropriated from the general fund
30 of the state to the department of revenue for the payment
31 of commercial and industrial property tax replacement claims
32 in that fiscal year shall not exceed the total amount of
33 money that was necessary to pay all commercial and industrial
34 property tax replacement claims for the fiscal year beginning
35 July 1, 2017.

1 *b.* Moneys appropriated by the general assembly to the
2 department under this subsection for the payment of commercial
3 and industrial property tax replacement claims are not subject
4 to a uniform reduction in appropriations in accordance with
5 section 8.31.

6 2. Beginning with the fiscal year beginning July 1, 2014,
7 each county treasurer shall be paid by the department of
8 revenue an amount equal to the amount of the commercial and
9 industrial property tax replacement claims in the county, as
10 calculated in subsection 4. For fiscal years beginning on or
11 after July 1, 2018, if an amount appropriated for a fiscal year
12 is insufficient to pay all replacement claims, the director of
13 revenue shall prorate the payment of replacement claims to the
14 county treasurers and shall notify the county auditors of the
15 pro rata percentage on or before September 30.

16 3. On or before July 1 of each fiscal year beginning on
17 or after July 1, 2014, the assessor shall determine the total
18 assessed value of all commercial property and industrial
19 property assessed for taxes due and payable in that fiscal
20 year and the total actual value of such property for the same
21 assessment year, and shall report the valuations to the county
22 auditor.

23 4. On or before a date established by rule of the department
24 of revenue of each fiscal year beginning on or after July 1,
25 2014, the county auditor shall prepare a statement, based upon
26 the report received pursuant to subsection 3, listing for each
27 taxing district in the county:

28 *a.* The difference between the assessed valuation of all
29 commercial property and industrial property for the assessment
30 year used to calculate taxes which are due and payable in the
31 applicable fiscal year and the actual value of all commercial
32 property and industrial property for the same assessment year.
33 If the difference between the assessed value of all commercial
34 property and industrial property and the actual valuation of
35 all commercial property and industrial property is zero, there

1 is no tax replacement for that taxing district for the fiscal
2 year.

3 *b.* The tax levy rate per one thousand dollars of assessed
4 value for each taxing district for that fiscal year.

5 *c.* The commercial and industrial property tax replacement
6 claim for each taxing district. The replacement claim is equal
7 to the amount determined pursuant to paragraph "*a*", multiplied
8 by the tax rate specified in paragraph "*b*", and then divided by
9 one thousand dollars.

10 5. For purposes of computing replacement amounts under
11 this section, that portion of an urban renewal area defined as
12 the sum of the assessed valuations defined in section 403.19,
13 subsections 1 and 2, shall be considered a taxing district.

14 6. *a.* The county auditor shall certify and forward one copy
15 of the statement to the department of revenue not later than
16 a date of each year established by the department of revenue
17 by rule.

18 *b.* The replacement claims shall be paid to each county
19 treasurer in equal installments in September and March of each
20 year. The county treasurer shall apportion the replacement
21 claim payments among the eligible taxing districts in the
22 county.

23 *c.* If the taxing district is an urban renewal area, the
24 amount of the replacement claim shall be apportioned and
25 credited to those portions of the assessed value defined in
26 section 403.19, subsections 1 and 2, as follows:

27 (1) To that portion defined in section 403.19, subsection
28 1, an amount of the replacement claim that is proportionate to
29 the amount of actual value of the commercial and industrial
30 property in the urban renewal area as determined in section
31 403.19, subsection 1, that was subtracted pursuant to section
32 403.20, as it bears to the total amount of actual value of
33 the commercial and industrial property in the urban renewal
34 area that was subtracted pursuant to section 403.20 for the
35 assessment year for property taxes due and payable in the

1 fiscal year for which the replacement claim is computed.

2 (2) To that portion defined in section 403.19, subsection 2,
3 the remaining amount, if any.

4 d. Notwithstanding the allocation provisions of paragraph
5 "c", the amount of the tax replacement amount that shall be
6 allocated to that portion of the assessed value defined in
7 section 403.19, subsection 2, shall not exceed the amount equal
8 to the amount certified to the county auditor under section
9 403.19 for the fiscal year in which the claim is paid, after
10 deduction of the amount of other revenues committed for payment
11 on that amount for the fiscal year. The amount not allocated
12 to that portion of the assessed value defined in section
13 403.19, subsection 2, as a result of the operation of this
14 paragraph, shall be allocated to that portion of assessed value
15 defined in section 403.19, subsection 1.

16 e. The amount of the replacement claim amount credited to
17 the portion of the assessed value defined in section 403.19,
18 subsection 1, shall be allocated to and when received be paid
19 into the fund for the respective taxing district as taxes by
20 or for the taxing district into which all other property taxes
21 are paid. The amount of the replacement claim amount credited
22 to the portion of the assessed value defined in section 403.19,
23 subsection 2, shall be allocated to and when collected be paid
24 into the special fund of the municipality under section 403.19,
25 subsection 2.

26 Sec. 8. SAVINGS PROVISION. This Act, pursuant to section
27 4.13, does not affect the operation of, or prohibit the
28 application of, prior provisions of section 441.21, or rules
29 adopted under chapter 17A to administer prior provisions
30 of section 441.21, for assessment years beginning before
31 January 1, 2013, and for duties, powers, protests, appeals,
32 proceedings, actions, or remedies attributable to an assessment
33 year beginning before January 1, 2013.

34 Sec. 9. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
35 immediate importance, takes effect upon enactment.

1 Sec. 10. RETROACTIVE APPLICABILITY. This Act applies
2 retroactively to January 1, 2013, for assessment years
3 beginning on or after that date.

4 EXPLANATION

5 This bill changes the property tax assessment limitation
6 percentage for residential property and agricultural property
7 from 4 percent to 2 percent for assessment years beginning on
8 or after January 1, 2013.

9 The bill modifies the methodology in Code section 441.21(5)
10 currently used to determine the percentage of actual value
11 at which commercial property and industrial property are
12 assessed for property tax purposes. The bill provides that
13 for valuations established for the assessment year beginning
14 January 1, 2013, the percentage of actual value at which
15 commercial and industrial property are assessed is 95 percent.
16 For the assessment year beginning January 1, 2014, the
17 percentage of actual value at which commercial and industrial
18 property are assessed is 90 percent. For the assessment year
19 beginning January 1, 2015, the percentage of actual value
20 at which commercial and industrial property are assessed is
21 85 percent. For the assessment year beginning January 1,
22 2016, the percentage of actual value at which commercial and
23 industrial property are assessed is 80 percent. For assessment
24 years beginning on or after January 1, 2017, the percentage of
25 actual value at which commercial and industrial property are
26 assessed shall be calculated in accordance with the methodology
27 used to determine the percentages at which commercial
28 and industrial property are assessed for assessment years
29 beginning before January 1, 2013, except that the percentage
30 of permissible assessed value growth is changed from 4 percent
31 to 2 percent.

32 The bill also provides that for assessment years beginning
33 on or after January 1, 2017, in addition to the limitations on
34 the growth in taxable value for agricultural and residential
35 property in Code section 441.21(4) and commercial and

1 industrial property in Code section 441.21(5), for residential,
2 agricultural, commercial, and industrial property, the assessed
3 value of each of these four classes of property shall be
4 limited to the percentage increase of that class of property
5 that is the lowest percentage increase under the allowable
6 limit.

7 The bill provides that for valuations established on or
8 after January 1, 2013, property valued by the department of
9 revenue pursuant to Code chapter 434 (railway property) is
10 assessed at a percentage of its actual value equal to the
11 percentage of actual value at which commercial property is
12 assessed for the same assessment year.

13 The bill provides for commercial and industrial property
14 tax replacement payments in new Code section 441.21A. For
15 the fiscal year beginning July 1, 2014, and each fiscal year
16 thereafter, the bill appropriates from the general fund of the
17 state to the department of revenue an amount necessary to pay
18 all commercial and industrial property tax replacement claims
19 for that fiscal year. However, in no fiscal year beginning
20 on or after July 1, 2018, shall the total amount of money
21 appropriated from the general fund of the state for the payment
22 of commercial and industrial property tax replacement claims
23 in that fiscal year exceed the total amount of money that was
24 necessary to pay all commercial and industrial property tax
25 replacement payments for the fiscal year beginning July 1,
26 2017.

27 The bill provides that moneys appropriated by the general
28 assembly to the department of revenue under new Code section
29 441.21A for the payment of commercial and industrial property
30 tax replacement claims are not subject to a uniform reduction
31 in appropriations in accordance with Code section 8.31.

32 For fiscal years beginning on or after July 1, 2018, if
33 an amount appropriated to the department of revenue for a
34 fiscal year is insufficient to pay all replacement claims, the
35 director of revenue shall prorate the replacement payments to

1 the county treasurers and shall notify the county auditors of
2 the pro rata percentage on or before September 30.

3 The bill requires the assessor to determine, on or before
4 July 1 of each fiscal year beginning on or after July 1,
5 2014, the total assessed value of all commercial property
6 and industrial property for taxes due and payable in that
7 fiscal year and the total actual value of all such property
8 for the same assessment year, and to report those valuations
9 to the county auditor. On or before a date established by the
10 department of revenue, the county auditor prepares a statement,
11 based upon the report listing for each taxing district in the
12 county the difference between assessed and actual values of
13 such property located in the taxing district, the tax levy rate
14 per \$1,000 of assessed value for each taxing district, and
15 the property tax replacement claim for each taxing district.
16 The replacement claim is equal to the difference between the
17 assessed valuation of all such property located in the taxing
18 district and assessed for the applicable assessment year and
19 the total actual value of all such property located in the
20 taxing district for the same assessment year, multiplied by
21 the tax rate per \$1,000 of assessed value specified for the
22 taxing district, and then divided by \$1,000. If the difference
23 between the actual and assessed values is zero, there is no
24 replacement claim for the taxing district for that year.

25 Replacement claims are paid to each county treasurer in
26 equal installments in September and March of each year. The
27 county treasurer apportions the replacement claim payments
28 among the eligible taxing districts in the county.

29 The bill defines a tax increment financing district in
30 an urban renewal area as a taxing district for purposes of
31 allocation of replacement moneys and provides for the method of
32 allocation in those districts.

33 The bill, pursuant to Code section 4.13, does not affect
34 the application of prior provisions of Code section 441.21 to
35 assessment years beginning before January 1, 2013.

S.F. _____ H.F. _____

1 The bill takes effect upon enactment and applies
2 retroactively to January 1, 2013, for assessment years
3 beginning on or after that date.